

Report of the Secretary of the Army

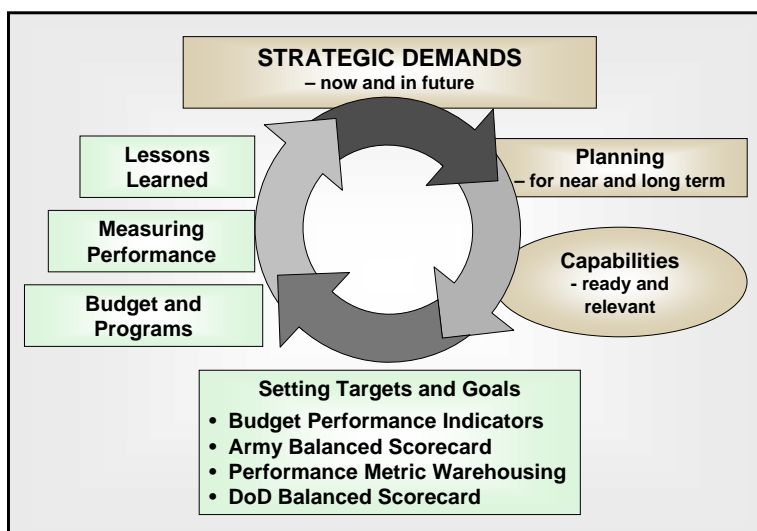
America's Army -- Relevant and Ready.

America is a Nation at war and we are America's Army -- resolved to be relevant and ready. In the wake of the terrorist attacks of September 11, 2001, the post-Cold War era closed and, along with it, the window of opportunity it provided the Army to transform in relative peace. Now, the imperative to maintain our position as the world's preeminent land power is stronger than ever, and we aware what the brutal price of failure will be.

We know that we are relevant and ready today, but to remain so next year, five years from now and into the next decade, the Army must determine the future demands for land power: What outcomes does the Nation expect and what will we need to support the Combatant Commanders as part of the joint team?

We can begin to answer these questions by analyzing our mission and strategy, along with the related planning necessary to fielding a ready and relevant force. Fulfilling our duty to the Nation and the Combatant Commanders may exceed our existing resources; therefore, we must consider our requirements in terms of the Defense Department's balanced scorecard and risk areas. These criteria provide a basis for setting goals, programs, budgets and performance measures. We also recognize that effective planning includes monitoring actual performance, understanding lessons learned and being able to react quickly to new threats.

Our process is illustrated in the figure below.



The current national security environment differs dramatically from those of the past. We no longer face a monolithic superpower; instead, we must contemplate and fight

multiple adversaries in multiple places. As our enemy evolves, so too are we rapidly and dramatically altering our forces, our weapons, our training and our tactics. We are quickly changing our business processes, as well, to be more responsive to this dynamic world.

Performance management is nothing new to the Army. In the 1970s, we had Management By Objectives; in the 1980s, we focused on tasks, conditions and standards; and in the 1990s, we added a capabilities focus to The Army Plan. In this new century, we have introduced our balanced scorecard approach.

Through the balanced scorecard, we are formally instituting performance management in the Army. For the first time in history, we have begun to justify our budget requests by putting performance measures against our programs. In the budget just submitted, 60 percent of our programs were accompanied by measures and goals to gauge our success. By 2007, 100 percent of our budgeted programs will have associated metrics.

The Army does not fight alone – we are but one part of a joint team. This report aligns our efforts with DoD's balanced scorecard, its risk management framework and other members of the joint team. It represents one of the many steps along our road map to institutionalizing performance management, Army-wide.

THE ARMY – WHERE WE ARE GOING

Our goal is a better Army every day -- a relevant and ready campaign-quality force with a Joint and Expeditionary Mindset. To this end, the Army is continually improving its ability to execute its core competencies: (1) training and equipping Soldiers and growing Leaders; and (2) providing relevant and ready land power as part of the joint force.

The Secretary of Defense has observed that, in the 21st century, “new and unexpected danger[s] will likely be waiting just over the horizon and . . . we must be flexible to face them.” Meeting and defeating these threats require the rapid and responsive efforts of the Joint Team. The Army is a critical member of that team, uniquely able to contribute the complete spectrum of land-power capabilities to the joint force commander, enabling him to dominate and to sustain land warfare across the entire operational gamut.

The Army's challenge is to transform doctrine, organizations, processes and its very culture to better provide essential capabilities to the joint force in a prompt and rapid manner. In order to meet this challenge, we must inculcate a Joint and Expeditionary Mindset into every member of the Army team. This means embracing a forward-leaning, modularly structured, joint-interdependent and capabilities-based Army led by and composed of aggressive, intelligent and empowered Soldiers.

We must think of ourselves as vital members of the joint team first, and as a service component second. The joint force is now capable of sustained interoperability, but must attain joint interdependence as quickly as possible. The Joint Operational Concepts (JOpsC) is the blueprint for achieving this posture; the Army is developing and nesting its concepts and capabilities within it to ensure that the U.S. military reaches its goal.

Training and Equipping Soldiers, and Growing Leaders

The American Soldier is the centerpiece of Army combat systems and formations. But, none can survive in the current battlespace without constant training in weaponry and fieldcraft -- our troops must be prepared for the stark realities they will encounter. Thus, at the basic-skills level, the same standard of training applies to every Soldier, regardless of component or specialty. Additionally, we will prepare our Soldiers, civilians and families for the sustained challenge of serving a Nation at war.

Our leaders must possess the mental agility; a mix of unit, staff and command experience; and training and education to meet the current and future leadership requirements of the Army and the joint force. We will optimize leader-development systems to grow personnel capable of operating as part of a joint team at war. We will focus on the current and future strategic environments, the current and projected pace of operations and deployments, and force stabilization initiatives. We will adjust combat-training center and battle-command training programs to nest within the joint national training capability and to replicate the realities of the contemporary operating environment.

Improving Today's Army

Our first priority is clear -- winning the current war. Adapting our forces to meet the challenges of the GWOT requires a capabilities-based, modular, flexible and rapidly employable Joint-Army team. The joint force must be capable of dominating any adversary and controlling any situation across the full range of military operations. As a crucial member of this team, the Army must be positioned around the world with the right composition, numbers and materiel to enable the maximum flexibility, agility and lethality for operations across the full military spectrum.

FORCE MANAGEMENT RISK

Providing a trained and ready Army is the business of the Department. To do so, we must employ the tools of modern commerce to better manage our military and civilian workforce: more flexible compensation packages, contemporary recruiting and retention techniques, improved training. Our working and living conditions must enable our people to perform at their best. And, we must seek out or grow the skilled individuals demanded by the Future Force.

Within this risk area, OSD has identified the four outcome goals included in the boxes to the right.

Maintain a
Quality Force

Ensure Suitable
Military Tempo
And Workforce
Satisfaction

Maintain
Reasonable
Force Costs

Shape the Force
of the Future

Maintain a Quality Force

The tempo of our international commitments places an exceptional demand on active, National Guard and Army Reserve Soldiers, and that demand likely will continue for the immediate years ahead. The Army therefore must pursue selected programs to recruit and retain the high-quality Soldiers and civilians necessary to execute our mission.

Recruiting And Retaining A High-Quality Volunteer Force

All of our Soldiers are warriors whose actions have strategic impact. As we are at war and will be for the foreseeable future, we must recruit men and women, who already have the warrior ethos ingrained in their character; who seek to serve our Nation; and who will have the endurance and commitment to stay the course of the conflict. They must be confident, adaptive and competent to handle the full complexity of 21st-century warfare.

One-hundred percent of the Soldiers we enlist will be high school graduates (diploma or equivalent, with no less than 90 percent holding high school diplomas). The active Army, National Guard and Army Reserve recruiting goals for FY 2005 are:

- Active Army -- 79,000 enlistees.
- Army Reserve -- 18,175 non-prior service; 5,000 prior service; 5,000 prior service transition from Active Component to Reserve Component; and 9,500 prior-service transfer from Individual Ready Reserve to Troop Program Unit.
- Army National Guard -- 40,950 non-prior service and 22,050 prior service.

Active Army retention goals for FY 2005 are: 19,670 initial career; 23,595 mid-career; and 12,016 career soldiers. The National Guard and Army Reserve will not set their FY

2005 retention goals until 30 September 2004, when each will be able to determine its eligible population.

Critical Military Skills

In addition to meeting numeric and quality recruiting goals, successfully manning the force requires that we maintain a sufficient balance of critical skills among military specialties. Currently neither our Active nor Reserve Component is optimized for today's rapid deployability requirements. We will continue ongoing efforts to restructure our forces in order to mitigate stress; to align better with the current and projected security environments; and to offer campaign-quality, land-power capabilities to the Combatant Commanders. By doing so, we will ensure that our Army provides the responsiveness and depth required to achieve strategic and operational objectives, while simultaneously defending our homeland.

The Army continues to track our TOP 25 Recruiting Military Occupational Specialties (MOSs). MOSs that are listed on the TOP 25 include critical skills needed by the Army, specialties with a large recruiting program, historically difficult to recruit MOSs and those which have a large percentage of unfilled training seats in the current year. This list is updated monthly.

So far this fiscal year, the Army has reached 102 percent of its TOP 25 requirements. Of particular interest are the Special Forces Candidate (18X) "Off the Street" Enlistment and the Arab Linguist Enlistment initiatives. FY 2004 recruiting goals for these military specialty skills are: 1,500 Special Forces candidates and 250 Arab linguists. The Special Forces candidate goal for FY 2005 will be set in May 2004, and the Arab linguists goal for FY 2005 is 250 personnel.

Military Personnel Costs

In FY 2004, we improved compensation for our Soldiers. We funded an average 4.1 percent across-the-board pay increase, which included targeted pay raises ranging from 3.7 percent to 6.25 percent. We reduced median out-of-pocket housing expenses from 7.5 percent to 3.5 percent for FY 2004, and we are on a glide path to cutting those expenses to zero in FY 2005.

Improved pay and benefits signal our commitment to our Soldiers and their families. However, we still do not know exactly which compensation thresholds or benefits have the most influence on a Soldier's decision to join or remain in the armed services. Therefore, we are researching new metrics to help us better understand the complex relationships between military compensation (basic pay, special pay, incentive pay, basic allowances, other allowances, health care, education benefits and retirement benefits) and other force-management factors.

Ensure Sustainable Military Tempo and Workforce Satisfaction

Today our Army is supporting homeland security; executing stability and support operations in the Balkans; participating in the Sinai peacekeeping mission; and conducting combat operations in Iraq and Afghanistan. The Army also is forward-stationed in Korea and elsewhere around the world. These deployments mean overseas assignments for Soldiers – sometimes accompanied but mostly unaccompanied. This environment places great demands upon Soldiers, civilians and their families.

Soldiers are the heart and soul of the Army. The Army's preparedness to carry out its missions is directly linked to Soldier well-being. As we move further into the 21st century, the needs and aspirations of our Soldiers and their families will continue to evolve, as will the operational and societal environments. We must make every effort to match the Army's investment in its people to the commitment and sacrifices we expect of them.

This year, the Army announced a major initiative to improve readiness and to better our quality of life. Our revamped force stabilization strategy will keep soldiers with the same unit, stationed at the same home base, for up to seven years. This relative stability will increase unit cohesion and our combat effectiveness, and will make military life more attractive to our Soldiers and their families. We intend to apply the policy to 10 units in 2005, and to extend it to others in subsequent budget cycles.

The Army also has an extensive well-being program, which we have expanded beyond its traditional focus to a more inclusive consideration of Reserve Component soldiers, civilians and the entire Army family. Key examples include:

Support to Deployed Soldiers

To ease the effects of sustained deployment on our Soldiers, we have made available in-theater and on-location R&R. We are committed to providing these services as long as our troops remain deployed in the Central Command area of responsibility.

Currently, 600 unit-level recreation kits are in the CENTCOM AOR to support both Coalition Joint Task Force-Iraq (CJTF-7) and Operation Enduring Freedom. Fitness and recreation facilities are operational at 20 large camps in the CTJF-7 region, and fitness equipment is targeted for 40 other smaller sites. The Community and Family Support Center and CJTF-7 also have purchased equipment for Internet cafes; Internet access is free to users. Satellite phones are available and cost \$0.05 per minute. Stars & Stripes is being printed in Baghdad and 800 book kits are being shipped each month.

Two mobile teams from the Army Continuing Education System (ACES) in Europe have administered Army Personnel Tests in Iraq and Afghanistan to Soldiers eligible for re-enlistment. Mobile testing will continue until Army Education Centers (AECs) are established in theater. Also, Soldiers in Iraq and Afghanistan have enrolled in distance-

learning college courses using tuition assistance. The ACES goals for FY 2005 are to maintain installation reach-back support for Soldier continuing education and to open AECs in Afghanistan, Uzbekistan and Iraq.

Deployment Cycle Support (DCS)

DCS prepares Soldiers and DA civilians for returning to their spouses, families and home stations. To ensure smooth transitions, they and their family members participate in a number of classes, discussions and assessments. For deployed Soldiers and DA civilians, the DCS process begins in theater and continues at demobilization sites and home stations. For family members, training is conducted at home stations. Each participant receives information on family reunion and health care, as well as an individual assessment from the unit leadership. Based on these evaluations, the Army provides follow-up assistance, as appropriate. Currently, FORSCOM, USAREUR and 3rd PERSCOM are executing the DCS program.

Since 8 May 2003, approximately 94,314 Soldiers (92 percent) completed DCS Phase I in theater before redeployment. To improve this program, the Army intends to develop by FY 2005 a single, by-name database that tracks all deploying Soldiers.

Deployment Support at Home Stations

Army Community Service (ACS) Family Readiness personnel conduct training to help families respond to deployments. In FY 2003, they provided more than 5,000 pre-deployment briefings, post-deployment briefings, Family Readiness Group training sessions, Family Readiness liaison officer training sessions, and rear-detachment commander training sessions to hundreds of thousands of soldiers and their family members. ACS goals are for 98 percent of installations to conduct required Army Family Team Building classes and for every installation with a Soldier Readiness Processing Center to have an ACS station.

Also in FY 2003, Child and Youth Services (CYS) at 64 installations provided more than 260,000 hours of extended care to 23,000 children and teenagers. This extra care supported Soldiers and family members working extended hours and provided respite for the spouses of those deployed. CYS' broader objective is to establish at every installation a Child and Youth Services Mobilization Plan, validated each year by a higher headquarters, that addresses services needed to support families during pre-deployment, deployment and reunion periods.

Communication with parents who are deployed is an essential factor in maintaining the well-being of our children and youth. More than 50 youth technology labs will be installed this year, and another 50 in 2005, so that young people can stay connected through e-mail and digital photography.

Spouse Employment

The Army formally unveiled the Spouse Employment Partnership at the AUSA annual conference on 7 October 2003, with the Assistant Secretary of the Army (Manpower and Reserve Affairs) and senior executives from 13 Fortune 500 companies signing a Statement of Support. The objective is to enhance employment opportunities for Army spouses, as job availability for them plays a significant role in retention decisions.

Participating companies include: Army-Air Force Exchange Service (AAFES), BellSouth, Boys & Girls Clubs of America, Computer Sciences Corporation, CVS Pharmacy, Dell Inc., Home Depot, Hospital Corporation of America, Lockheed Martin, Manpower Inc., Sears Logistics Services, Sprint, Merck & Company, the Army Career and Alumni Program (ACAP) and the Civilian Human Resources community.

The FY 2005 goal is for 55 percent of spouses seeking employment to obtain positions through these corporate sponsorships.

In-State Tuition

The Army is still encouraging local governments to grant in-state tuition in both the place of official residence and the place of assignment; and to permit continuity of the benefit until graduation for the children and spouses of Soldiers, who transfer overseas or to another state following matriculation. We are making progress. So far, 21 states have agreed to all three provisions of this initiative, with Texas and Georgia recently passing legislation to cover both in-state tuition and continuity of the benefit upon reassignment. The new In-State Tuition website is a valuable source of information for military members, their families, educators and state legislators.

By the end of FY 2005, the Army's goal is to add another 19 states to the list of those that have implemented each piece of the in-state tuition plan. Twelve states already meet two of the goals, missing only continuity of the benefit when the Soldier is transferred.

National Guard/Army Reserve Job Centers

These new centers assist National Guard and Army Reserve Soldiers in finding jobs when they return home from deployment. While many Soldiers resume their former positions, some find the employment on which they were counting is no longer there; companies go out of business or relocate. Soldiers also sometimes discover that they have outgrown their previous jobs. The centers work closely with the Department of Labor, state employment offices and the Department of Veterans Affairs to help make the transition back to civilian life as quick and trouble-free as possible. The metrics to determine the impact of this program are being developed.

Maintain Reasonable Force Costs

In the last Annual Defense Review, the Secretary of Defense observed that the term “force cost” typically refers to military pay and allowances. However, he noted, a much broader strategy is needed to capture completely force-related activities, such as entitlements and benefits like health care and educational incentives, which drive overall labor costs. The Army is working with OSD to develop appropriate metrics for assessing the comparative cost of labor. This will improve our management practices and lead to more effective and efficient utilization of resources over the long term.

Shape the Force of the Future

Shaping the force of the future is not represented by any sole process or system in the Army. Rather it is accomplished through the myriad daily activities and initiatives discussed throughout this report, such as impeccable training; taking care of Soldiers, their families and our retirees; restructuring our forces; and spiraling future capabilities into the hands of today’s troops.

OPERATIONAL RISK

The Operational Risk area refers to our ability to overcome today’s threats. This includes planning and adapting as events unfold; training for the next real-time mission; and sustaining the warfighters. Our first priority is clear -- to win the war on terrorism. Our other priority is to provide for Homeland Security.

Within this risk area, OSD has identified the four outcome goals included in the boxes to the right.

Do We Have
The Right
Forces
Available?

Are Our Forces
Postured to
Succeed?

Are Our Forces
Currently
Ready?

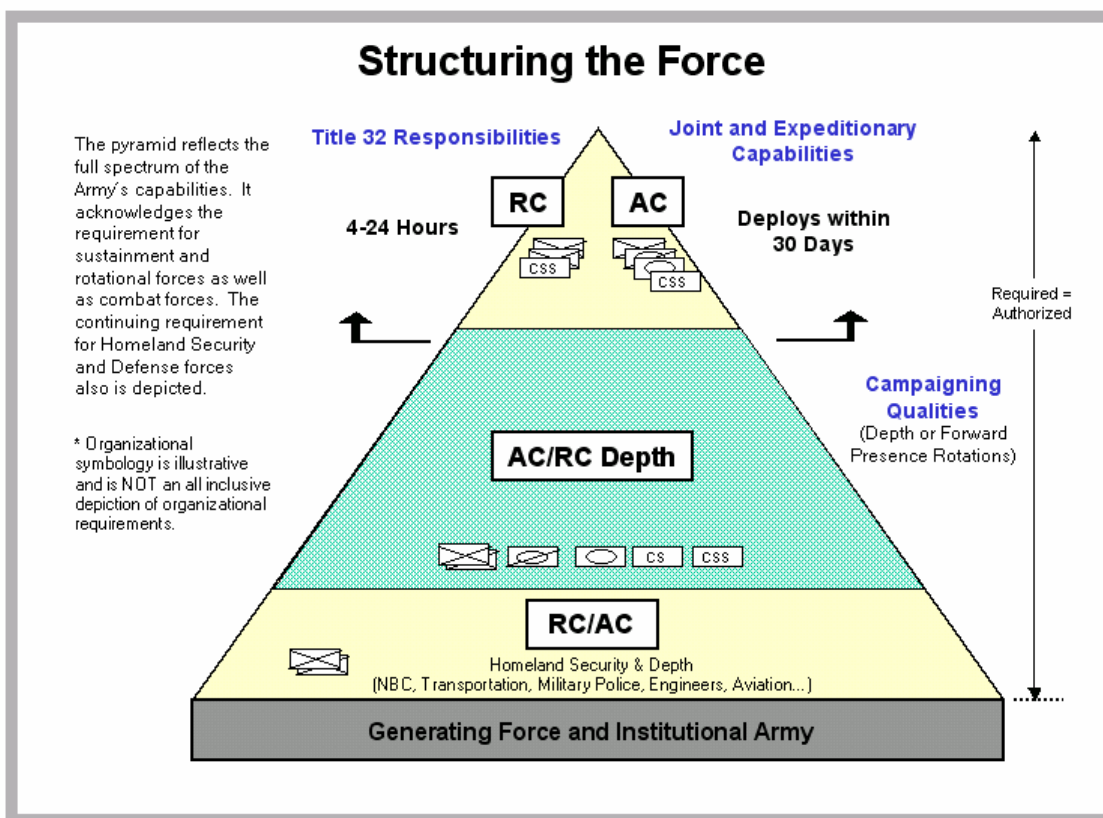
Are Our Forces
Consistent With
Our Strategic
Priorities?

The Right Forces Will Be Available

The Army is committed to always providing the Combatant Commander the land power required to accomplish the mission at hand. With this in mind and in light of today’s radically different security environment, we have begun a multi-pronged redesign of our entire force structure. Our individual units will become more modular, flexible and responsive, thus creating an array of balanced formations that can meet current and future requirements.

In addition, we are rebalancing the mix between Active- and Reserve-Component force structure and adjusting the quantities of certain military specialties. We expect through this process to realign more than 100,000 positions across the Active and Reserve components. In response to Secretary of Defense guidance, we already have addressed approximately 10,000 slots. The Army National Guard is on track to divest about 19,500 spaces of less frequently used force structure, which will help to resource critical, high-demand units, such as military police, civil affairs and special operations forces. We project that our rebalancing efforts will convert another 80,000 slots of lower-priority force structure, 26,000 of which should be completed in FY 2005.

The Army Reserve, in conjunction with Army Headquarters, also is re-examining its configuration to determine how best to support the Combatant Commanders. The Federal Reserve Restructuring Initiative (FRRI) will be completed by the end of FY 2006. Once implemented, it will position the Army Reserve with the right capabilities to meet emerging mission requirements.



These various force-structure modifications will increase the Active-Component capabilities available to support the first 30 days of a rapid response operation, and will help to mitigate stress on our units. AC and RC follow-on forces will give the joint force commander the campaign-quality combat, combat support and combat service support

capabilities necessary to achieve operational and strategic objectives and to conduct sustained land operations. The Reserve Component also will reinforce stability and support operations, and will lead our efforts to protect the homeland.

Our Forces Will Be Postured to Succeed

In FY 2003, approximately two-thirds of our active and reserve combat formations were deployed in more than 120 countries around the world. As a result of the Global War on Terrorism, we will remain in most of these places for the foreseeable future.

To provide maximum flexibility, agility and lethality for the full range of military operations, the Army must ensure that it is positioned correctly at home and abroad, in terms of capabilities and troop numbers. To this end, the Army and the Defense Department are examining our domestic and forward-basing needs and options. Additionally, the Army will continue to strengthen and reinforce its regional alliances.

As part of the effort to make sure that we have the right capabilities in the right place, the Army will continue to enhance the tools we place in our Soldiers hands. For example, in FY 2005, the Army will buy 310 vehicles for the fifth Stryker Brigade Combat Team (25th ID, Hawaii), which will be fielded in FY 2006. We also are pursuing an aggressive aviation modernization program. In FY 2005, the Army will undertake 19 Apache Longbow conversions; will upgrade five Black Hawks to the UH-60M configuration; and will purchase 27 new UH-60Ls. Additionally, we will buy four new CH-47Fs; will convert 16 existing CH-47s into F and G models; and will procure 160 new, higher-power CH-47 engines. The Army will start a Lightweight Utility Helicopter program, as well, under which we will acquire 10 new, off-the-shelf aircraft in FY 2005.

Our Forces Will Be Ready

Our Army is adapting and changing dramatically to fight a sustained campaign against a new type of enemy. Our first priority is clear: We will prosecute and win the war. This mindset is essential for the entire Army.

The demands placed upon our equipment and personnel as a result of major combat and stability operations in Iraq and Afghanistan require that the Army quickly reset returning units for future national security needs. Our forces must be ready to respond to near-term emerging threats and contingencies.

Through reset, all active duty and Army Reserve units will achieve a sufficient level of combat readiness within six to eight months of their return to home station. The goal for Army National Guard units is one year.

As already mentioned, we simultaneously will take advantage of reset to reorganize our forces into modular units that are more responsive to regional Combatant Commanders'

needs; that better employ joint capabilities; that reduce deployment time; and that fight as self-contained entities. The reset process began in 2003 with the 3rd Infantry Division and will soon be expanded to include the 101st Airborne Division (Air Assault). Both divisions will be completely reset by the end of FY 2004. These initial conversions will serve as prototypes to help accelerate the overall redesign and fielding of the Current and Future forces.

Training and Equipping Soldiers. No Soldier can survive the stark realities of today's battlefield without constant training in weaponry and fieldcraft, and a continuous immersion in the Army's warrior culture. Our combined-arms training strategy is working and sustaining our warfighting readiness. We see the results every day in Afghanistan and Iraq.

Operational tempo (OPTEMPO), which supports the combat readiness of our troops, is among our top priorities. Our strategy incorporates an appropriate mix of live, virtual and constructive training. In FY 2005, we will continue our commitment to fully executing the Active and Reserve components' ground and air OPTEMPO training plans, which include actual miles driven and hours flown, as well as virtual miles associated with the use of simulators.

There can be only one standard of training for our Soldiers, regardless of component or specialty. Thus, we have revised our training ammunition standards to allow combat support and combat service support units to conduct live-fire exercises under conditions similar to those they might encounter in combat. Additionally, an Initial Entry Training (IET) review is under way to determine the best course of action for incorporating greater emphasis on and increased rigor into field training, weapons training, combatives and leadership opportunities. By FY 2005, we also will have implemented a program to ensure that every Soldier is an intelligence collector and consumer.

Soldiers remain the crucial link to both realizing Future Force capabilities and enhancing the effectiveness of the Current Force; they are the ultimate combat system. To this end, we have begun to provide Assignment Oriented Training (AOT) for certain military specialties. Through this initiative, we can get Soldiers to their first assignments more quickly and with greater proficiency in their specialty. AOT has begun in four specialties; by FY 2006 it will include 18 specialties.

Growing Leaders. We will optimize our leader-development systems to train and educate soldiers and officers, who are capable of operating as part of a joint team at war and who possess a Joint and Expeditionary Mindset. Our leader-development systems and facilities will be redesigned for the current and future strategic environments, and to accommodate the current and projected pace of operations and deployments.

In conjunction with Joint Forces Command, we are developing a set of joint-leader competencies that we intend to incorporate into our leader-education program in FY

2005. Also by FY 2005, all majors attending Command and General Staff College will receive training in joint planning and operations.

To cultivate agile and adaptive leaders, able to conduct simultaneous, distributed and continuous operations, we will refocus Combat Training Center and Battle Command Training programs. Our training will nest within the Joint National Training Capability, will accurately replicate the realities of the contemporary operating environment and will introduce leaders to the new joint military decisionmaking process. We already have implemented a pilot program and we intend to finalize the revised program in FY 2005.

Our Forces Are Employed According to Strategic Priorities

Our operational tempo is high and will no doubt remain so. Our first priority is fighting and winning the Global War on Terrorism. This requires a host of radical paradigm shifts in the way we view the face and nature of our global operating environment, as well as in the way that we conduct operations.

We are deployed in accordance with our strategic priorities. The majority of our combat formations are now in the U.S. Central Command area of responsibility (AOR), effectively executing stability and support operations. More than 153,000 Soldiers are participating in CENTCOM operations in Iraq, Afghanistan, Kuwait and the Horn of Africa. This constitutes the largest movement of troops since World War II, with more than eight-and-a-half divisions and three enhanced Separate Brigades rotating to or from the theater.

Army support to other Combatant Commanders remains high. More than 23,000 Active and Reserve Component Soldiers are assisting in the homeland defense mission. U.S. Army Europe units have been sent to the CENTCOM AOR; and are participating in Stability Force (SFOR) and Kosovo Force (KFOR) in the Balkans. Additionally, more than 31,000 Soldiers remain on the Korean Peninsula, while others from U.S. Pacific Command fight the GWOT in the Philippines. Army troops are executing detainee operations at Guantanamo Bay, Cuba, and are aiding the government of Colombia in its war on narco-terrorism. U.S. Special Operations Command's Army component provides professional, dedicated and specially trained Soldiers to each Combatant Commander. These personnel, working closely with conventional forces, have been instrumental to our success in the Global War on Terrorism.

INSTITUTIONAL RISK

The Institutional Risk area focuses on the way the Army works, emphasizing in particular our facilities and infrastructure, and our financial and acquisition processes. Our priorities are to operate efficiently and to streamline those processes.

Within this risk area, OSD has identified the four outcome goals included in the boxes to the right.

Streamline
Decision
Processes,
Improve Financial
Management

Manage
Overhead and
Direct Costs

Improve The
Readiness And
Quality Of Key
Facilities

Realign Support
to the Warfighter

Streamline Decision Processes, Improve Financial Management

The President's Management Agenda (PMA) consists of five government-wide initiatives to improve management and service to our citizen taxpayers. We have set aggressive targets for the Army in each area, consistent with our objectives of improving accuracy and ensuring that sound management principles are in place across the organization.

The Army is committed to profound and far-reaching financial management reform that will guarantee decisionmakers access to reliable, relevant and timely financial data with which to carefully and efficiently manage and account for taxpayer funds. To do this, the Army is leading the way in DoD efforts to replace antiquated and stand-alone, automated financial management systems with a robust financial management infrastructure. The Army is following the guidance established by the Business Financial Management Modernization Program Office, which manages the enterprise architecture that links systems and business processes in a comprehensive and integrated fashion. The Army's CFO Strategic Plan outlines our path to improving financial management and correcting materiel weaknesses in our financial statements.

We also have established the Army Audit Committee to provide a forum to discuss and resolve a wide variety of federal accounting and auditing issues. The committee is a major component of our efforts to meet the Defense Department's goal of receiving an unqualified audit opinion by FY 2007. We are making progress toward this objective and, by FY 2005, will be ready for an independent audit of the entire financial statement for Army Civil Works; as well as the fund balance with Treasury, accounts receivable and accounts payable for the Army General Fund and the Army Working Capital Fund.

Improve Financial Management

The Army is pursuing numerous efforts that will deliver quality financial management during FY 2004 and beyond. Three of these initiatives are described below.

The **Logistics Modernization Program** (LMP), a key component of Army Transformation, will update our national-level logistics business practices and supporting information technology. It will provide integrated logistics management capabilities such as total asset visibility, a single source of data, better forecasting accuracy and real-time access to enterprise information. We also expect that LMP will measurably improve Army readiness. AMC completed initial implementation of the first phase in July 2003. Deployment to 12 Working Capital Fund sites will be completed in FY 2005.

The **Internal Use Software Accountability Initiative** is a 12-month, joint effort that will identify, value and account for all software products used throughout the Army, in accordance with Federal Accounting Standard Advisory Board standard No.10. Once the software is identified and properly valued, it will be entered into a Defense Property Accountability System database so that continuous accountability and reporting can be sustained. The Army intends to complete this program by the end of FY 2004 so that accurate, auditable figures can be presented in the FY 2004 financial statements.

The **Government Furnished Equipment Accountability Initiative** is a six-month proof of concept to design the processes and business rules to properly account for government equipment in the custody of contractors. During the proof of concept, which is now under way, five installations will provide feedback regarding the creation of fiduciary records on the Installation Property Book system. In FY 2005, after the proof of concept is completed, we will extend the processes and business rules to the remainder of our installations until all GFE is properly accounted for on an Army property system and is reported annually on Army financial statements.

Manage Overhead and Direct Costs

In developing a cost culture, the Army must change how we think about our money. Our people must understand why they should care about preserving, protecting and defending every dollar that the U.S. Army receives from the American taxpayer. Simultaneously, we must find more economical ways to operate -- even if that means removing programs, which are not achieving established performance measures.

Tradeoffs will be required as part of this effective cost culture, which will balance overhead and indirect costs against military capabilities. Elimination of excess property is one approach to freeing funds, which can be applied to other areas of the Army enterprise. Since FY 2001, the Army has disposed of more than 77,000 excess acres. In FY 2005, we will dispose of an additional 8,000 acres.

Improve The Readiness and Quality of Key Facilities

Installations

Installations are essential to maintaining the premier Army in the world; they serve as our flagships. Our short-term planning strategies for them center on three essential tasks: (1) posturing installations as deployment platforms with robust, reach-back capabilities; (2) adjusting installation support to meet the needs of an Army at war and transforming; and (3) supporting the well-being of all Soldiers and their families.

Our installations require restoration and modernization to enable Army transformation and the rotation-based system of global engagement. The Army has repeatedly accepted risk in infrastructure and installation services in order to maintain warfighting capabilities and readiness; as a result facility conditions have deteriorated. The average rating for Army facilities in the Installations' Readiness Report (IRR) is C-3 (adverse impact on mission accomplishment). However, through proper sustainment and recapitalization investments, we will restore installation readiness; stabilize and reduce the average age of our physical plant; reduce operating costs; and maximize our return on investment.

We are in the process of reversing the decay, but much remains to be done. Our overall goal is to achieve C-2 quality (minimal impact on mission accomplishment) by 2010, with specific facility types achieving C-1 ratings. The estimated bill to attain C-2 status is \$12.1 billion. In FY 2005, the Army has programmed \$2.5 billion in sustainment, restoration and modernization (SRM) funding to stop deterioration and to improve our facilities; within those funds, sustainment dollars will cover 95 percent of requirements. Reducing the recapitalization rate of facilities also is an indication of improving quality. The FY 2005 recapitalization rate is estimated at 80 years (total Army), compared with 124 years for fiscal year 2004. The Army's goal is to achieve a 67-year recapitalization rate by FY 2008.

Maximum facility utilization and reduction in facility footprint also help to improve facility quality by allowing more efficient and effective expenditure of limited SRM resources. The Army has an aggressive facility disposal program that has reduced its inventory by more than 30 percent since 1990. The Army's demolition program for FY 2005 contains \$30.1 million to eliminate 2.1 million square feet of facilities (total Army). We are enforcing an established construction policy of one-square-foot disposal for every one square-foot constructed to prevent growth of our inventory. We also have implemented enhanced-use leasing, which produces cash or in-kind consideration from the private sector for their use of our underutilized facilities. We have completed two pilot projects at Fort Sam Houston and Fort Leonard Wood; others are in the discussion stage and may be completed during FY 2005.

Environment

The Army is proud of its excellent environmental stewardship record. We firmly believe that protecting the environment entrusted to our care is part of our mission. Additionally, careful stewardship is essential to maintaining our capacity to train effectively for combat.

The Army's FY 2005 environmental budget request is \$1.5 billion. Among our key initiatives for FY 2004-05 are: better management through the Environmental Management Systems (EMS); fewer violations of environmental laws and regulations; and implementation of enhanced contracting and oversight mechanisms for environmental restoration efforts.

Our performance measures monitor the number of installations that meet the established standards of the Environmental Quality Index, which addresses compliance with federal statutes, pollution reduction mandates and management of natural and cultural resources. Other measures track our progress in maintaining low relative risk to mission accomplishment and cleaning up polluted sites, according to DoD schedules.

Utilities

As we modernize our facilities, we intend to reduce our energy consumption and associated costs. The Army already has met the federal energy reduction target for 2005 and is on track to meeting the goal for 2010. The Army also is developing a comprehensive energy strategy that will: increase renewable energy usage; take advantage of restructured energy commodity markets; and modernize our infrastructure through privatization. The Army will finalize privatization decisions on all available water, sewage, electric and gas utility systems by September 2005. We also are pursuing renewable energy technologies, such as fuel cells and geothermal, wind and solar power; we intend to purchase electricity from these environmentally friendly sources when cost-effective.

Caring For Our Soldiers And Their Families

The Army must support our warfighters and ensure safe living and working conditions. Sustaining a good quality of life is crucial to recruiting, retention and readiness. Our commitment to improving single-Soldier and family housing is an excellent example of these efforts.

The Army intends to eliminate inadequate family housing by FY 2007 and inadequate permanent-party, single-soldier housing by FY 2008. The primary vehicle for improving family housing is privatization, specifically the Residential Communities Initiative. By the end of FY 2004, nearly 42,000 homes across 19 installations will have transitioned to privatized operations. In FY 2005 and 2006, we will privatize an additional 71,000 homes on 34 installations. Our aggressive program to improve permanent-party, single-

soldier housing has funded the modernization of 75 percent (119,000 spaces) of the requirement. In FY 2005, the Army has programmed \$700 million to continue this effort. Our next objective is to upgrade trainee barracks.

Realign Support for the Warfighter

We have adapted and continue to improve our acquisition and fielding processes to better support the warfighter. In 2002, as Soldiers reported equipment shortages in Afghanistan and elsewhere, we implemented the Rapid Fielding Initiative (RFI) to ensure that all of our troops deploy with the latest available equipment. Equipment fielding schedules were revised to support unit-rotation plans, and procurement and fielding cycles were radically compressed.

Our FY 2004 goal for RFI is to upgrade a minimum of 16 brigade combat teams, to include three Reserve Component enhanced Separate Brigades, serving in Operation Iraqi Freedom and Operation Enduring Freedom. More than \$100 million have been programmed to continue RFI in FY 2005. Additionally, the Army has established a Rapid Equipping Force (REF) that works directly with operational commanders to find solutions to operational requirements. These solutions may be off-the-shelf or near-term developmental items that can be made quickly available.

Another key performance metric used by the Army to gauge success in supporting the soldier is Customer Wait Time (CWT). It measures the elapsed time from order to receipt of a materiel item, which may be obtained from assets on hand at the customer's military installation or naval vessel, or through the wholesale logistics system. For purposes of this enterprise-level metric, CWT includes orders for spare and repair parts requested by organizational maintenance activities. The FY 2005 goal is to reduce CWT to 16 days.

FUTURE CHALLENGES RISK

The future challenges risk area addresses the continual process of preparing for an uncertain future. Within this area, OSD has identified the four goals listed below.

Historically, the Army has evolved to meet the challenges posed by conventional and unconventional threats and the dynamic international landscape. Today, our efforts also require a cultural metamorphosis that will forever influence the Army's change process. The purpose is to make our Soldiers and our institutions more innovative, adaptive and able

Drive
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Develop More
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Transformational
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And
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For The Future

to meet the challenges of a full-spectrum, joint and expeditionary environment.

The annually updated Army Campaign Plan sets our strategy for becoming an even more relevant and ready force, nested in the Joint Team. This section identifies a few of our significant efforts and performance metrics within the future risk sphere.

Drive Innovative Joint Operations

The Army is institutionalizing the new Joint Capabilities Integration and Development System (JCIDS). This revolutionary process defines future joint capability requirements through the creation, articulation, wargaming and experimentation of joint operating concepts and supporting capability-based architectures. JCIDS reviews all DOTMLPF capabilities to maximize complementary effects, to offset individual service vulnerabilities and to eliminate unneeded redundancy. This process will move us beyond joint interoperability to an Army that is jointly interdependent with our sister services. We are focused on five key joint and expeditionary interdependencies: Joint Battle Command, Joint Fires, Joint Lift, Joint Air and Missile Defense, and Joint Logistics.

In FY 2005, we will continue to develop collaboratively these emerging joint concepts and architectures, and will nest our own concepts and architectures within them.

The Army Transformation Concept Development and Experimentation Campaign Plan (AT-CDEP) identifies our efforts to support exploration of new joint warfare concepts in concert with the JFCOM Joint Experimentation Campaign Plan. FY 2005 milestones for the AT-CDEP include: development of the Unit of Action (UA) Combined Arms Training Strategy; the Future Combat Systems (FCS) Milestone B update and Capabilities Production Document; the FCS Complementary System design; and the Unit of Employment (UE) organization and pooled-assets design. The Army also will participate in joint and sister service experimentation and demonstration exercises, to include JFCOM's Unified Quest.

Develop More Effective Organizations

The Army has begun the most significant restructuring of forces to occur in the last 50 years. We anticipate more than 100,000 positions will be altered between FY 2004 and 2009. This restructuring, along with other initiatives such as Force Stabilization, will relieve stress on high-demand units and will improve readiness. It also will create a more modular, flexible and responsive array of balanced formations necessary to meet the near-term and future requirements of the Combatant Commanders. The approved temporary increase of 30,000 personnel will help us to maintain readiness during this period, throughout which the pace of military operations will remain high.

Our new force design will be "brigade-based." Our goal is to increase the number of active component brigade combat teams from 33 to 43 by FY 2006. A corollary increase

in National Guard brigade teams also is planned. In February 2004, the 3rd Infantry Division began reorganizing as a prototype; it will transition from a three-brigade to a four-brigade division. Through the remainder of this year and FY 2005, the Army will restructure the 101st Airborne (Air Assault), the 10th Mountain, the 4th Infantry and the 25th Infantry divisions in order to reach 39 brigades. By the end of FY 2006, the Army will comprise 43 brigades. At that point, we will decide whether to continue the process in FY 2007 to achieve a total of 48 brigades in the Active Component. Success will be measured through the Unit Status Reports for these new units. Executing these redesigns on time is critical to maintaining overall force readiness.

Define Skills and Competencies for the Future

Today, joint military operations are the standard. The Army recognizes this and is introducing joint, interagency and multinational components into our training. Our Training Transformation Initiative is designed to provide dynamic, capabilities-based training and mission rehearsal in a joint context. We also proactively support establishment of a Joint National Training Capability.

Our Soldiers in OEF and OIF operate in complex and changing environments. They must be: culturally aware of their surroundings; able to assimilate rapidly information from national and local assets; capable of making decisions in ambiguous circumstances; and prepared to take decisive action when necessary. The Army is modifying its education processes to develop fully these capabilities.

In FY 2005, the Army will continue its existing initiatives to improve training infrastructure and leader development. We have focused \$246 million, with an additional \$836 million over the rest of the Future Years Defense Plan, to re-engineer our leader development program. A Basic Officer Leader Course will instill the Warrior Ethos in all new lieutenants. Flight School XXI will provide trained and qualified pilots to operational units at a rate 50 percent faster than the current training system. We also have increased funding for special-skills training to augment the Asymmetric Warfare Institute and the Chemical, Biological, Radiological and Nuclear School. West Point cadets will receive an enhanced wireless network, connecting the classroom to student 24 hours a day. We will improve Reserve Component schools, as well. Feedback from field commanders regarding how well these Soldiers are prepared will be one measure of success for these efforts and will drive further change to our learning institutions.

Define and Develop Transformational Capabilities

The Army is defining and developing requirements for joint-force capabilities. Our materiel solutions, integrated across DOTMLPF, represent a large investment in producing these capabilities. We use a “balanced” modernization strategy to ensure that these investments remain aligned with overall requirements and the four DoD risk areas. In terms of funding, approximately 30 percent of the Army budget is focused on current

operations, 50 percent on people programs and the remaining 20 percent on developing Future Force capabilities.

In the past four budget submissions, we made difficult choices to cancel and restructure programs in order to shift an additional \$36 billion toward developing the Army's Future Force. In the FY 2004-2009 Future Years Defense Plan, over 97 percent of our S&T funding supports Future Force technology development and 59 percent of our RDA funding supports Future Force system development and fielding. Our top investment priority is the Future Combat Systems (FCS), with over 30 percent of all S&T funding and 20 percent of all RDA funding.

Future Combat Systems. FCS remains the materiel centerpiece of the Army's commitment to becoming more joint and expeditionary, and is well on its way to reconciling the challenge of coupling deployability with sustainable combat power. The FCS program consists of 18 integrated, synchronized, manned and unmanned platforms, which are networked together to enable the Soldier to see first, understand first, act first and finish decisively. These platforms will provide the joint force networked, lethal direct fire; indirect fire; air defense; complementary non-lethal fires and effects; and troop transport capability.

As part of the FY 2005 budget submission, we added \$3 billion across the FYDP for FCS and its complementary systems. (Complementary systems are those that are not part of the 18 core systems, but which must be developed and fielded along with FCS to provide the operational capability envisioned for the Unit of Action.) During FY 2005, the Army will continue to execute the FCS program aggressively, within the overarching framework of a lead systems integrator, and we will award additional contracts for specific developmental efforts. In the first quarter of the year, a panel will review program progress since the May 2003 Milestone B decision. A third-quarter preliminary design review will follow this update to ensure that FCS design development is proceeding properly. The program's overall progress in FY 2005 will be evaluated according to already established performance metrics.

Networking The Force. Key to the success of all future efforts within the Army is the ability to connect and to communicate securely at both the tactical and strategic levels.

The Network Enterprise Technology Command (NETCOM) is implementing an enterprise concept to improve the capacity, performance and security of Army networks at every level. As part of this effort, in FY 2005 the Army will field SATCOM on the move to critical deploying units. This satellite communications system maintains 24/7 communications connectivity, supporting command and control requirements and eliminating gaps in information flow. Additionally, we will continue redesigning our signal force to match the Unit of Action concept.

The Joint Tactical Radio System (JTRS) and the Warfighter Information Network – Tactical (WIN-T) are two key components of network-centric warfare. During FY 2005,

JTRS will remain in the system design and development phase; a Milestone C decision is scheduled for FY 2006 and a multi-service Operational Test and Evaluation in FY 2007. WIN-T moved into the system design and development phase in July 2003. Using modeling and simulation, prototypes will be developed and tested in FY 2005 to support a Milestone C decision in FY 2006.

Focused Logistics. The Army also is enhancing functional capabilities, such as Focused Logistics. FY 2005 initiatives to address systemic logistics shortfalls highlighted during OIF can be grouped into four areas.

Connectivity for Logisticians. Logisticians require the ability to “see the requirements,” 24 hours a day, seven days a week, through a dedicated, logistics-data, network environment. In FY 2005, the Army intends to connect critical logistics nodes in five active-duty divisions and certain related support units through commercial Very Small Aperture Terminals, which provide satellite communications, and the wireless Combat Service Support Automated Information System Interface.

Modernized Theater Distribution. An integrated system of modern equipment, force structure and procedures will provide positive logistics command and control and will ensure real-time visibility of items moving through the supply chain. In FY 2005, the Army will procure approximately 50 man-portable satellite terminals for use by Movement Control Teams in both III Corps and V Corps. Acquisition of business process server hardware and software will enable the Standard Army Retail Supply System to utilize radio frequency identification interrogation in tactical logistics warehouses across the entire Army.

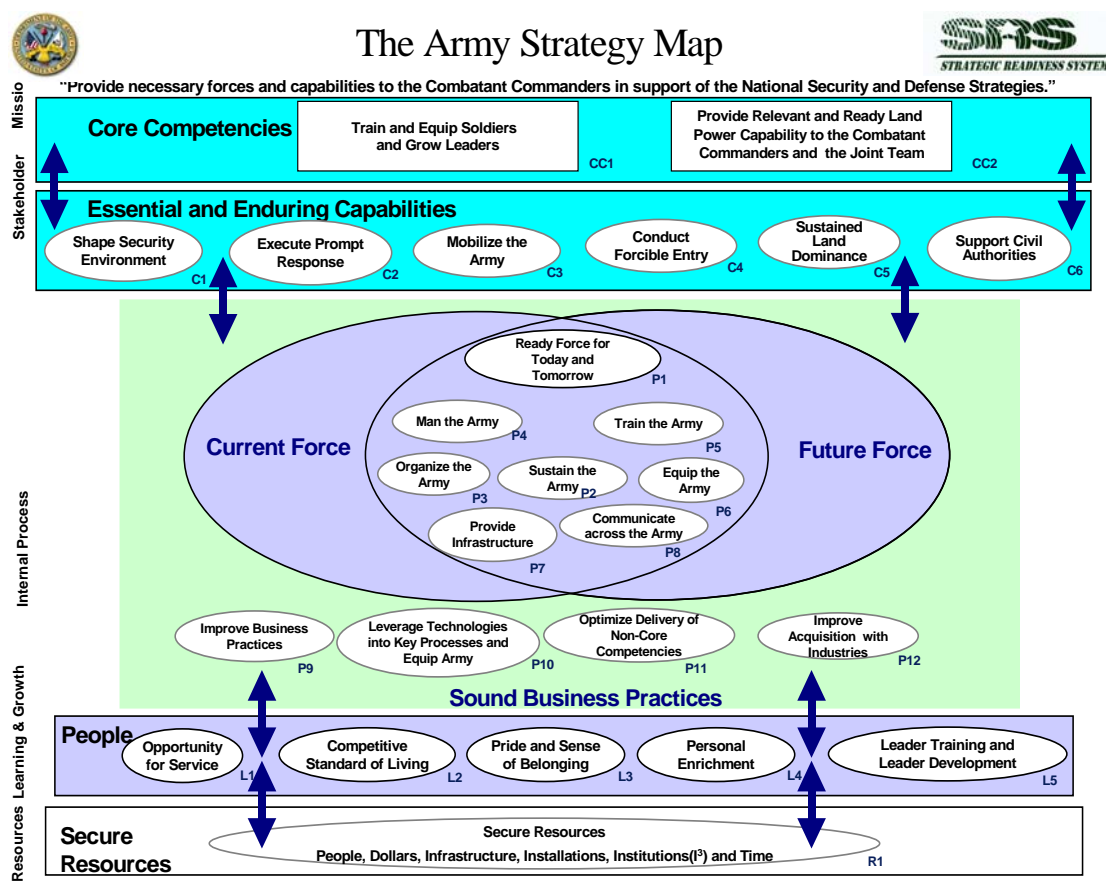
Improved Force Reception. The Army’s goal is an integrated, modular organization that can quickly open a theater and support continuous sustainment throughout the joint operations area. Initial studies are under way for reconfiguring one of the Army’s Corps Support Groups into a Theater Opening Group. The Army also is working with the Defense Logistics Agency to place tailored stocks of supplies in strategic forward locations to support expeditionary operations. During FY 2005, the ships of the Army Regional Flotilla (Guam/Saipan) will be loaded with equipment to support theater opening and will be positioned to support U.S. Pacific Command.

Integrate the Supply Chain. The Army will tailor FY 2005 development efforts for enterprise resource planning software (such as GCSS-Army and PLM+) to emphasize immediate implementation of critical warfighting functionality.

ARMY BALANCED SCORECARD

The Strategic Readiness System (SRS) provides the Army with its first enterprise-wide management system to integrate readiness information from field and staff organizations in both the Active and Reserve components. This reporting system markedly improves how readiness is measured by gathering timely, precise information and by expanding the scope of the data considered. The Army intends to utilize SRS to leverage leading indicators and to predict trends so that we can address issues affecting readiness before they become problems. Thus, SRS will help the Army to improve support to Combatant Commanders; to invest wisely in soldiers and their families; to identify and adopt sound business practices; and to transform the Army from the Current Force to the Future Force.

SRS is based on the Balanced Scorecard (BSC) methodology, which was designed to provide Army leadership with a single system that communicates our mission, vision, strategic objectives and priorities. It enables the Army to monitor progress against our vision, to forecast strategic performance and to make adjustments, as necessary, to resources, personnel and policy. The Army Balanced Scorecard Strategy Map is shown below.



Individual commands, in addition to our leadership, also have extracted tremendous value from the BSC. Units have been able to meet their mission essential task lists more effectively and to focus simultaneously on readiness and overall transformation toward the Future Force. The SRS balanced scorecard allows each team to evaluate recent unit performance in a way that cuts across organizational “silos” (e.g., logistics, operations, medical, training and other staff areas). People from different organizations within the Army have easy access to scorecard data, and can thus quickly come together to work common issues.

CONCLUSION

An old Army television commercial used to say, “Freedom Isn’t Free.” No phrase has ever rung more true. For more than 228 years, America has entrusted the Army with its sons and daughters. Soldiers remain the centerpiece of our force, and we are bound by our honor and integrity to give them the best training, leadership and equipment that we can provide.

Whether in Afghanistan, Iraq or anywhere else in the world, our Soldiers continue to demonstrate their superb military skills and their fine personal character. Time and again our land forces provide the versatile and decisive action across the full spectrum of joint operations that enables the United States to succeed.

Our continuing responsibility is to give Soldiers the tools and training needed for the tough missions to which we assign them. There is much to do, but resources are not unlimited. We will use performance management to help us make smart decisions and to monitor our progress. As we proceed, our environment will change but our performance management processes will enable us to respond effectively.

We have achieved sustainable momentum in Army Transformation and institutionalizing performance management will serve as a key tool for fielding the Future Force. After three and a half years of undiminished support from the administration and the Congress, and the incredible dedication of Soldiers and Department of the Army civilians, we have begun to deliver The Army Vision. With continued strong support, we will fight as a joint team to win the Global War on Terrorism; we will meet our obligations to our friends and allies; we will remain ready to prevail over the unpredictable; and we will transform ourselves for decisive victories on future battlefields.